

## 2005 Budget Process for NCAT

### Operating Expense

The NCAT Budget Analyst<sup>24</sup> prepares an Excel budget file for the NCAT managers<sup>25</sup> to use in their development of the 2005 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2004. The budget file also contains a fixed payroll template, a variable payroll template, and a blank template to detail out the 2005 budget.

### *Payroll Expenditures*

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active NCAT employees to the NCAT Budget Analyst.

#### *Fixed Payroll Template*

- The NCAT Budget Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

#### *Variable Payroll Template*

- Each department's hourly rates of its employees are accumulated and entered into the variable payroll template by the NCAT Budget Analyst. The amount of variable man-hours available is calculated based upon the number of employees and the number of working days in a year.
- The variable payroll rate is used in conjunction with the man-hours per unit to calculate the total variable payroll for each activity.

The budget file is sent to the NCAT managers for completion.

- The NCAT managers utilize the fixed and variable payroll templates to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The NCAT managers then complete the variable payroll template by filling in the amount of paid and non-paid absence hours, the amount of overtime hours, and the amount of work for and by others hours. After completing these sections, the total man-hours for a department that need to be spread are calculated.
- The variable payroll rate is then calculated based on the payroll information entered.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

---

<sup>24</sup> Adam Wallace

<sup>25</sup> Scot Koif, Greg Konwinski, and Ken Nance

- The man-hours are determined based on historical analysis of the man-hours per activity.

#### ***Non-payroll Expenditures***

- Once the NCAT managers have completed the payroll expenditures, they enter non-payroll expenditures into the 2005 budget templates. The expenditures are broken down monthly by activity by account category. They utilize the corporate assumptions for non-payroll inflationary increases as provided by the Finance area in the development of their budgets.
- After these templates are completed by the NCAT Managers, they are sent to the General Manager of NCAT<sup>26</sup> for review, clarification, and refinement.
- After the managers complete any revisions, the revised budgets are sent to the NCAT Budget Analyst for consolidation. The NCAT Budget Analyst reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.
- The consolidated budget is submitted to the General Manager of NCAT for final review and approval.
- The NCAT Budget Analyst provides this information to the Distribution Budget Analyst<sup>27</sup> for consolidation up to the Vice President of Distribution<sup>28</sup>.
- The final 2005 budget is loaded into Essbase after approval by ERC.
- The NCAT Budget Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

#### **Selected Items**

- None

#### **Intercompany Billing**

- None

#### **Capital**

##### ***New Business Services – Cap Type 050 & 051***

- The cap type owner for new business services in conjunction with Workload Administration determines how many services will be completed for the budget year. The cap type owner then determines the contractor/company crew split based on historical data and available resources.
- The average cost per service is determined based on history adjusted for inflation and productivity increases.
- The man-hours are determined based on historical analysis of the man-hours per activity.
- The total new business services expenditures are calculated based on the number of services and the average cost per service.

---

<sup>26</sup> Jim Bruen

<sup>27</sup> Cindy Madziarczyk

<sup>28</sup> Anthony McCain

- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based upon seasonal impacts and expectations of work completion.
- The monthly breakdown is then provided to the NCAT Budget Analyst to be uploaded into Essbase.
- The NCAT Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***New Business Main – Cap Type 077 thru 081***

- The cap type owner for new business main in conjunction with Workload Administration determines how many feet of main will be installed for the budget year. The cap type owner then determines the contractor/company crew split based on historical usage and available resources.
- The average cost per foot of main installed is determined based on history adjusted for inflation and productivity increases.
- The man-hours are determined based on historical analysis of the man-hours per activity.
- The total new business main expenditure is calculated based on projected footage to be installed and the average cost per foot.
- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based upon seasonal impacts and expectations of work completion.
- The monthly breakdown is then provided to the NCAT Budget Analyst to be uploaded into Essbase.
- The NCAT Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***New Industrial Meters – Cap Type 093***

- The total expenditure for new industrial meters and regulators is calculated by the cap type owner based on previous years' expenditures and amounts budgeted. The relationship between the volume of services installed and the total amount spent in previous years is also taken into account when determining the budget.
- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based upon seasonal impacts and expectations of work completion.
- The monthly breakdown is then provided to the NCAT Budget Analyst to be uploaded into Essbase.
- The NCAT Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***Contributions Collected – Cap Type 140 & 145***

- The average contribution collected per unit is determined by the cap type owner based on history adjusted for inflation and productivity increases.
- The total contributions collected for main credit is calculated based on projected footage installed and the average contribution collected per foot.

- The total contributions collected for services credit is calculated based on the projected number of services to be installed and the average contribution collected per service.
- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based on expectations of work completion.
- The monthly breakdown is then provided to the NCAT Budget Analyst to be uploaded into Essbase.
- The NCAT Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***Other New Business – Cap Type 150***

- The total expenditure for other new business is calculated by the cap type owner based on previous years' expenditures and amounts budgeted. The relationship between the volume of services installed and the amount of total spent in previous years is also taken into account when determining the budget.
- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based upon seasonal impacts and expectations of work completion.
- The monthly breakdown is then provided to the NCAT Budget Analyst to be uploaded into Essbase.
- The NCAT Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***Indirect Departmental Expense (IDE) – Cap Type 960***

- For any indirect departmental expense activities, the NCAT Managers determine the total expenditures for the training and inclement weather activities as part of the development of the operating expense budgets.
- The portion to be capitalized is calculated by the NCAT Budget Analyst based on the current capitalization rate and activities included in the IDE pool. (The current capitalization rate is based on the capitalization study conducted in 2002 and implemented in January 2003.)
- For any direct capital activities, the NCAT managers determine the needs for 2005 based on historical data.
- The NCAT Budget Analyst then provides this information to the cap type owner for corporate consolidation.
- After the NCAT Budget Analyst is notified by the cap type owner that the budget has been approved by CMT, the NCAT Budget Analyst loads the information for the NCAT area into Essbase ensuring that the credit loaded on the operating expense side and the expenditures loaded on the capital side are equal for any indirect IDE activities.
- The NCAT Budget Analyst then verifies that the loaded amount for NCAT is the same as the amount provided to the cap type owner.

***Capitalized Fleet – Cap Type 577***

- Utilizing the pricing guidelines set forth by Fleet Management, the budget preparers determine the total expenditures for fuel as part of the development of the operating expense budgets.

- The portion to be capitalized is determined by the NCAT Budget Analyst based on the current capitalization rate and activities affected by fuel. (The current capitalization rate is based on the capitalization study conducted in 2002 and implemented in January 2003.)
- The NCAT Budget Analyst provides this information to the cap type owner for corporate consolidation.
- After the NCAT Budget Analyst is notified by the cap type owner that the budget has been approved by CMT, the NCAT Budget Analyst loads the budget for capitalized fleet for the NCAT area into Essbase.
- The NCAT Budget Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

## **2005 Budget Process for Distribution, Projects, and System Operations**

### **Operating Expense**

The Distribution Budget Analyst prepares an Excel budget file to aid in the development of the 2005 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2004. The budget file also contains a fixed payroll template, a variable payroll template, and a blank template to detail out the 2005 budget.

#### ***Payroll Expenditures***

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active Distribution employees to the Distribution Budget Analyst.

##### ***Fixed Payroll Template***

- The Distribution Budget Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

##### ***Variable Payroll Template***

- Each department's hourly rates of its employees are accumulated and entered into the variable payroll template by the Distribution Budget Analyst. The amount of variable man-hours available is calculated based upon the number of employees and the number of working days in a year.
- The variable payroll rate is used in conjunction with the man-hours per unit to calculate the total variable payroll for each activity.

The budget file is sent to the budget preparers (see page 31) for completion.

- The budget preparers utilize the fixed and variable payroll templates to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The budget preparers then complete the variable payroll template by filling in the amount of paid and non-paid absence hours, the amount of overtime hours, and the amount of work for and by others hours. After completing these sections, the total man-hours for a department that need to be spread are calculated.
- The variable payroll rate is then calculated based on the payroll information entered.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

- The man-hours are determined based on historical analysis of the man-hours per activity.

#### ***Non-payroll Expenditures***

- Once the budget preparers have completed the payroll expenditures, they enter non-payroll expenditures into the 2005 budget templates. The expenditures are broken down monthly by activity by account category. They utilize the corporate assumptions for non-payroll inflationary increases as provided by the Finance area in the development of their budgets.
- After these templates are completed by the budget preparers, they are sent to the General Manager of Distribution<sup>29</sup> and the General Manager of System Operations<sup>30</sup> for review, clarification, and refinement.
- After the budget preparers complete any revisions, the revised budgets are sent to the Distribution Budget Analyst for consolidation. The Distribution Budget Analyst reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.
- The consolidated budget is submitted to the Vice President of Distribution for final review and approval.
- The final 2005 budget is loaded into Essbase after approval by ERC.
- The Distribution Budget Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

#### **Selected Items**

- None

#### **Intercompany Billing**

- None

#### **Capital**

##### ***Replacement Services – Cap Type 060 & 061***

- The cap type owner for replacement services in conjunction with Workload Administration determines how many services will be replaced for the budget year. The cap type owner then determines the contractor/company crew split based on history and available resources.
- The average cost per replaced service is determined based on history adjusted for inflation and productivity increases.
- Budgeted man-hours are determined based on historical analysis of man-hours per activity.
- The total replaced services expenditures are calculated based on the number of services and the average cost per service.

---

<sup>29</sup> Ron Katt

<sup>30</sup> Clint Whybark

- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based upon seasonal impacts and expectations of work completion.
- The monthly breakdown is then provided to the Distribution Budget Analyst to be uploaded into Essbase.
- The Distribution Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***Replacement Main – Cap Types 082 & 083***

- The cap type owner for replacement main in conjunction with Workload Administration determines how many feet of main will be replaced for the budget year. The cap type owner then determines the contractor/company crew split based on history and available resources.
- The average cost per foot of main replaced is determined based on history adjusted for inflation and productivity increases.
- Budgeted man-hours are determined based on historical analysis of man-hours per activity.
- The total replaced main expenditure is calculated based on projected footage to be replaced and the average cost per foot.
- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based upon seasonal impacts and expectations of work completion.
- The monthly breakdown is then provided to the Distribution Budget Analyst to be uploaded into Essbase.
- The Distribution Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***Cross Ties – Cap Types 062 & 063***

- The cap type owner for cross ties in conjunction with Workload Administration determines how many cross ties will be replaced for the budget year. The cap type owner then determines the contractor/company crew split based on history and available resources.
- The average cost per cross tie is determined based on history adjusted for inflation and productivity increases.
- Budgeted man-hours are determined based on historical analysis of man-hours per activity.
- The total cross tie expenditures is calculated based on the number of cross ties and the average cost per cross tie.
- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based upon seasonal impacts and expectations of work completion.
- The monthly breakdown is then provided to the Distribution Budget Analyst to be uploaded into Essbase.
- The Distribution Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.



***Miscellaneous Revisions – Cap Type 088***

- The cap type owner reviews the priority list for vault replacement and determines the needs for 2005.
- Upon approval by CMT, the costs are broken down into months by the cap type owner. The monthly breakdown is based upon historical data and expectations of work completion.
- The monthly breakdown is then provided to the Distribution Budget Analyst to be uploaded into Essbase.
- The Distribution Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***Reimbursables – Cap Type 089***

- The cap type owner determines the needs for 2005 based on historical data and scheduled projects for the current year.
- Upon approval by CMT, the costs are broken down into months by the cap type owner.
- The monthly breakdown is then provided to the Distribution Budget Analyst to be uploaded into Essbase.
- The Distribution Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***Other Capital – Cap Type 160***

- The cap type owner determines the needs for 2005 based on historical data and the number of anticipated credit cuts supplied by the General Manager of Credit<sup>31</sup>.
- Upon approval by CMT, the costs are broken down into months by the cap type owner.
- The monthly breakdown is then provided to the Distribution Budget Analyst to be uploaded into Essbase.
- The Distribution Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***Replacement Pressure Sets – Cap Type 092 & 170***

- The cap type owner determines the needs for 2005 based on historical data.
- Upon approval by CMT, the costs are broken down into months by the cap type owner.
- The monthly breakdown is then provided to the Distribution Budget Analyst to be uploaded into Essbase.
- The Distribution Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***Estimated Services Removal Cost – Cap Type 180***

- The cap type owner determines the needs for 2005 based on historical data.
- Upon approval by CMT, the costs are broken down into months by the cap type owner.

---

<sup>31</sup> Dave Lukowicz

- The monthly breakdown is then provided to the Distribution Budget Analyst to be uploaded into Essbase.
- The Distribution Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***System Operations Transmission – Central – Cap Type 472 thru 479***

- The cap type owner determines the needs for 2005 based on the list of projects that need to be completed. After the budget amount is approved by CMT, the cap type owner reviews and modifies the priority list as necessary to fit within the budget parameters.
- The costs are then broken down into months by the cap type owner.
- The monthly breakdown is then provided to the Distribution Budget Analyst to be uploaded into Essbase.
- The Distribution Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***Engineering Overheads – Regions – Cap Type 910***

- For the Quality Assurance department, the budget preparer determines the total expenditures for 2005 as part of the development of the operating expense budgets.
- The portion to be capitalized is calculated by the Distribution Budget Analyst based on the current capitalization rate and activities included in the engineering overheads pool. (The current capitalization rate is based on the capitalization study conducted in 2002 and implemented in January 2003.)
- For the direct capital activities, the cap type owner determines the needs for 2005 based on historical data.
- After the total Engineering Overhead - Regions amount has been approved by CMT, the Distribution Budget Analyst loads the information into Essbase. The Distribution Budget Analyst also ensures that the credit loaded on the operating expense side and the expenditure loaded on the capital side are equal for the Quality Assurance department.
- The Distribution Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***Indirect Departmental Expense (IDE) – Cap Type 960***

- Once the operating expenditures have been finalized, the portion to be capitalized is calculated by the Budget Analysts for their areas based on the current capitalization rate and activities included in the IDE pool. (The current capitalization rate is based on the capitalization study conducted in 2002 and implemented in January 2003.)
- The Budget Analysts then provide this information to the Distribution Budget Analyst who consolidates the company wide information for the cap type owner.
- The cap type owner and Distribution Budget Analyst notify the Budget Analysts once the company wide amount has been approved by CMT.
- The Distribution Budget Analyst breaks down the annual amount for the distribution areas based on historical data. Other areas are loaded by the Budget Analyst responsible for that area.

- The Distribution Budget Analyst then loads the distribution information into Essbase ensuring that the credit loaded on the operating expense side and the expenditures loaded on the capital side are equal.
- The Distribution Budget Analyst also verifies that the total amount loaded by all the Budget Analysts ties to the amount approved by CMT.

***General Plant – Cap Type 500***

- The Distribution Budget Analyst determines the amount needed based on historical expenditures for small tools, furniture, and office equipment. Current year special requests and projects are also taken into consideration.
- After approval by the Manager of Distribution Quality Assurance<sup>32</sup>, the Distribution Budget Analyst provides this information to the cap type owner for corporate consolidation.
- After the Distribution Budget Analyst is notified by the cap type owner that the budget has been approved by CMT, the Distribution Budget Analyst loads the budget for general plant for the Distribution area into Essbase.
- The Distribution Budget Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

***Capitalized Fleet – Cap Type 577***

- Utilizing the pricing guidelines set forth by Fleet Management, the budget preparers determine the total expenditures for fuel as part of the development of the operating expense budgets.
- The portion to be capitalized is determined by the Distribution Budget Analyst based on the current capitalization rate and activities affected by fuel. (The current capitalization rate is based on the capitalization study conducted in 2002 and implemented in January 2003.)
- The Distribution Budget Analyst provides this information to the cap type owner for corporate consolidation.
- After the Distribution Budget Analyst is notified by the cap type owner that the budget has been approved by CMT, the Distribution Budget Analyst loads the budget for capitalized fleet for the Distribution area into Essbase.
- The Distribution Budget Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

---

<sup>32</sup> Chuck Dockery

***VP Distribution  
Budget Preparers***

---

<u>Dept #</u>	<u>Department Name</u>	<u>Person Responsible</u>
120	Ofc VP Distribution	Cindy Madziarczyk
231	Maintenance Admin	Cindy Madziarczyk
300	Ofc Gen Mgr NCAT	Adam Wallace
301	NCAT East	Greg Konwinski
302	NCAT West	Ken Nance
303	NCAT South	Scott Koif
323	CRT	Ed Vanscoit
389	L&P Admin	Don Smith
390	NC Maint Admin	Chuck Dockery
391	Maintenance Central	Rich Woodard/Keith Vanderlee
392	Sys Ops Central	Randy Keller
396	Projects Central	Carol Hynes/Dave Behrens
491	Maintenance North	Mike Johnson
492	Sys Ops North	Stan Janusz
496	Projects North	Carol Hynes/Dave Behrens
590	SM Maint Admin	Cindy Madziarczyk
591	Maintenance Metro	Joe Hynes
592	Sys Ops Metro	Dave Turk
596	Projects Metro	Carol Hynes/Mike Nauman
672	Watch & Protect	Ed Vanscoit
691	Maintenance South	Rich Woodard/Eric Vodnik
692	Sys Ops South	Ken Nance
696	Projects South	Carol Hynes/Steve Chambers
984	Carthage Meter Reading	Phil Rinda
990	Carthage	Phil Rinda
992	Carthage Operations	Phil Rinda

## 2005 Budget Process for Human Resources and Sales & Customer Care

### Operating Expense

The Customer Care Budget Analyst<sup>33</sup> prepares an Excel budget file to aid in the development of the 2005 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2004. The budget file also contains a fixed payroll template and a blank template to detail out the 2005 budget.

### *Payroll Expenditures*

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active Customer Care/HR employees to the Customer Care Budget Analyst.

#### *Fixed Payroll Template*

- The Customer Care Budget Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

The budget file is sent to the budget preparers (see page 37) for completion.

- The budget preparers utilize the fixed payroll template to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

### *Non-payroll Expenditures*

- Once the budget preparers have completed the payroll expenditures, they enter non-payroll expenditures into the 2005 budget templates. The expenditures are broken down monthly by activity by account category. They utilize the corporate assumptions for non-payroll inflationary increases as provided by the Finance area in the development of their budgets.
- After these templates are completed by the budget preparers, they are sent to the Vice President of Sales and Customer Care<sup>34</sup> and the Senior Vice President of Human Resources and Customer Care<sup>35</sup> for review, clarification, and refinement.

---

<sup>33</sup> Jose Aguilera

<sup>34</sup> Chris Suppes

<sup>35</sup> Claudia Colalillo

- After the budget preparers complete any revisions, the revised budgets are sent to the Customer Care Budget Analyst for consolidation. The Customer Care Budget Analyst reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.
- The consolidated budget is submitted to the Vice President of Sales and Customer Care and the Senior Vice President of Human Resources and Customer Care for final review and approval.
- The final 2005 budget is loaded into Essbase after approval by ERC.
- The Customer Care Budget Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

## **Selected Items**

### ***Benefit Plans***

- The benefit plans budget is based on information obtained from and studies conducted by Towers Perrin. The Senior Compensation Consultant<sup>36</sup> provides the monthly breakdown for the benefit plans.
- After the benefit plan budget has been approved by the Director of Human Resources<sup>37</sup>, the Customer Care Budget Analyst loads the information into Essbase.
- The total amount loaded for benefit plans is verified against the amount approved by ERC.

### ***Software Expensed***

- The amount for expensed software is based on the amount of training associated with the project. The Manager of Special Projects<sup>38</sup> provides the monthly breakdown for the n'able project.
- After the benefit plan budget has been approved by the Assistant Vice President of Customer Care Technology<sup>39</sup>, the Customer Care Budget Analyst loads the information into Essbase.
- The total amount loaded for software expensed is verified against the amount approved by ERC.

### ***Employee Benefit Insurance***

- The employee benefit insurance budget is based on information obtained from and studies conducted by Towers Perrin. The Senior Benefits Consultant<sup>40</sup> provides the monthly breakdown for the employee benefit insurance.
- After the benefit plan budget has been approved by the Director of Human Resources, the Customer Care Budget Analyst loads the information into Essbase.
- The total amount loaded for the employee benefit insurance is verified against the amount approved by ERC.

---

<sup>36</sup> Mike Seda

<sup>37</sup> Becky Bacidore

<sup>38</sup> Dan Rourke

<sup>39</sup> Kevin Kirby

<sup>40</sup> Sue O'Connell

***Provision for Uncollectibles***

- The budget for the provision for uncollectibles is determined by taking 1.3% of the projected revenue for 2005. Financial Accounting derives the 1.3% based on historical information on bad debt. The General Manager of Credit provides the monthly breakdown for the provision for uncollectibles.
- After the provision for uncollectibles budget has been approved by the Vice President of Sales and Customer Care, the Customer Care Budget Analyst loads the information into Essbase.
- The total amount loaded for the provision for uncollectibles is verified against the amount approved by ERC.

***Franchise Gas***

- The franchise gas budget is based on historical usage and the GSC projected cost of gas. The Manager of Gas Transportation and Billing Services<sup>41</sup> provides the monthly breakdown for franchise gas.
- After the franchise gas budget has been approved by the Vice President of Sales and Customer Care, the Customer Care Budget Analyst loads the information into Essbase.
- The total amount loaded for franchise gas is verified against the amount approved by ERC.

***Corporate Postage***

- The corporate postage budget is based on historical usage adjusted for increased volume associated with special initiatives that involve additional mailings. The Manager of Gas Transportation and Billing Services provides the monthly breakdown for corporate postage.
- After the corporate postage budget has been approved by the Vice President of Sales and Customer Care, the Customer Care Budget Analyst loads the information into Essbase.
- The total amount loaded for corporate postage is verified against the amount approved by ERC.

***Intercompany Billing***

- The budget preparers determine the payroll and other billed to affiliates amounts associated with intercompany billing based on historical charges for each area adjusted for any known changes.
- The billed to affiliates amount is loaded with the rest of the expenditures for that activity.
- The Customer Care Budget Analyst works with the Advertising Administrator<sup>42</sup> and the Director of Corporate Communications<sup>43</sup> to provide the branding information for Nicor Inc. to the Nicor Inc. Budget Analyst<sup>44</sup>.

---

<sup>41</sup> Ellen Rendos

<sup>42</sup> Steve Grzenia

<sup>43</sup> Don Ingle

<sup>44</sup> Marcia Rousonelos

## **Capital**

### ***Pension – Cap Type 941***

- The total expenditures for pensions are based on actuarial studies commissioned by the Financial Accounting department. The appropriate capitalization percentage as provided by Financial Accounting is applied to the total expenditure to arrive at the capital pension budget. The Director of Human Resources provides the monthly breakdown for pensions.
- After approval by CMT, the Customer Care Budget Analyst uploads the information into Essbase.
- The Customer Care Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

### ***Employee Benefit Insurance – Cap Type 942***

- The total expenditures for employee benefit insurance are provided by the Towers Perrin studies. The appropriate capitalization percentage as provided by Financial Accounting is applied to the total expenditure to arrive at the capital employee benefit insurance budget. The Director of Human Resources provides the monthly breakdown for employee benefit insurance.
- After approval by CMT, the Customer Care Budget Analyst uploads the information into Essbase.
- The Customer Care Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

### ***Future Health Care – Cap Type 943***

- The total expenditures for future health care are provided by the Towers Perrin studies. The appropriate capitalization percentage as provided by Financial Accounting is applied to the total expenditure to arrive at the capital future health care budget. The Director of Human Resources provides the monthly breakdown for future health care.
- After approval by CMT, the Customer Care Budget Analyst uploads the information into Essbase.
- The Customer Care Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

### ***Other Benefits – Cap Type 945***

- The total expenditures for other benefits are determined as part of the development of the operating expense budget. The appropriate capitalization percentage as provided by Financial Accounting is applied to the total expenditure to arrive at the capitalized portion of other benefits. The Director of Human Resources provides the monthly breakdown for other benefits.
- After approval by CMT, the Customer Care Budget Analyst uploads the information into Essbase.
- The Customer Care Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.



***Cost Saving Projects – Cap Type 100 thru 102, 465, and 480***

- The Customer Care Budget Analyst works with the AVP HR and Facility Services<sup>45</sup> to determine if there are any cost saving projects to be included in the budget, and if so, the budget amount to be included.
- The Customer Care Budget Analyst uploads the information into Essbase.
- The Customer Care Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***General Plant -- Cap Type 500***

- The Customer Care Budget Analyst determines the amount needed based on historical expenditures for small tools, furniture, and office equipment. Current year special requests and projects are also taken into consideration.
- After approval by the Vice President of Sales and Customer Care and the Senior Vice President of Human Resources and Customer Care, the Customer Care Budget Analyst provides this information to the cap type owner for corporate consolidation.
- After the Customer Care Budget Analyst is notified by the cap type owner that the budget has been approved by CMT, the Customer Care Budget Analyst loads the budget for general plant for the Customer Care area into Essbase.
- The Customer Care Budget Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

***Land and Buildings – Cap Type 540***

- The Customer Care Budget Analyst works with the cap type owner to determine the amount needed for land and buildings based on strategic property development.
- After CMT approval of the land and buildings budget, the Customer Care Budget Analyst loads the information into Essbase.
- The Customer Care Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***Capitalized Facilities (Building & Grounds) – Cap Type 980***

- The Customer Care Budget Analyst works with the cap type owner to determine the budget amount for capitalized facilities based on the capitalization studies conducted in 2002 and implemented in January 2003.
- After CMT approval of the budget amount for capitalized facilities, the Customer Care Budget Analyst loads the information into Essbase.
- The Customer Care Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

***Other Capital – Cap Type 160***

- The Customer Care Budget Analyst works with the General Manager of Credit to determine the amount needed for field collections based on historical data and any anticipated changes.

---

<sup>45</sup> Mike Youngs

- The Customer Care Budget Analyst then provides this information to the cap type owner for corporate consolidation.
- After the Customer Care Budget Analyst is notified by the cap type owner that the budget has been approved by CMT, the Customer Care Budget Analyst loads the information into Essbase.
- The Customer Care Budget Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

***Indirect Departmental Expenses (IDE) – Cap Type 960***

- The CCS Manager<sup>46</sup> determines the total expenditures for the IDE activity as part of the development of the operating expense budgets.
- The portion to be capitalized is calculated by the Customer Care Budget Analyst based on the current capitalization rate and activities included in the IDE pool. (The current capitalization rate is based on the capitalization study conducted in 2002 and implemented in January 2003.)
- The Customer Care Budget Analyst then provides this information to the cap type owner for corporate consolidation.
- After the Customer Care Budget Analyst is notified by the cap type owner that the budget has been approved by CMT, the Customer Care Budget Analyst loads the information into Essbase ensuring that the credit loaded on the operating expense side and the expenditures loaded on the capital side are equal.
- The Customer Care Budget Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

---

<sup>46</sup> Shirley Welte

**2005 Human Resources and Sales & Customer Care Budget Preparers**

General Manager Credit	Dave Lukowicz
Manager CCS	Shirley Welte
Manager Gas Transportation and Billing Services	Ellen Rendos
Community Relations Director	Margi Schiemann
Customer Relations Director	Tom Moretti
Director Sales	Russ Bartmess
Coordinator Market Planning & Support	John McDermott
VP Sales & Customer Care	Chris Suppes
Manager Special Projects	Dan Rourke
AVP Customer Care Technology	Kevin Kirby
AVP HR & Facility Services	Mike Youngs
Facility & Property Manager	Charlie Williams
Area Manager Facility Services	Steve Martin
Corporate Contributions Manager	Julian Brown
Director of Human Resources	Becky Bacidore
Assistant Manager Human Resources Administration	Tim Mulvihill
Staffing Manager	Arlene Starkman
Medical Administrator	Eileen Boedigheimer
Senior Benefits Consultant	Sue O'Connell
Senior Compensation Consultant	Mike Seda
Manager of Training & Development	Cathy Mejia
Director of Corporate Communications	Don Ingle

## 2005 Budget Process for Information Services

### Operating Expense

The Information Services (IS) Budget Analyst<sup>47</sup> prepares an Excel budget file for the IS managers<sup>48</sup> to use in their development of the 2005 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2004. The budget file also contains a fixed payroll template and a template to detail out the 2005 budget.

#### *Payroll Expenditures*

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active IS employees to the IS Budget Analyst.

##### *Fixed Payroll Template*

- The IS Budget Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

Based on discussions with the IS Managers, the IS Budget Analyst then completes the budget file.

- The fixed payroll template is utilized to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

#### *Non-payroll Expenditures*

- Once the payroll expenditures have been completed, the IS Budget Analyst enters non-payroll expenditures into the 2005 budget templates except for hardware and software maintenance fees, training, and consulting charges. The expenditures are broken down by activity by account category. The corporate assumptions for non-payroll inflationary increases as provided by the Finance area are used in the development of the budgets.
- The IS Budget Analyst, the Vice President of Information Services<sup>49</sup>, and the IS managers then collectively review the hardware and software maintenance fees, training, and consulting charges that are anticipated for the budget year. For

---

<sup>47</sup> Maribeth Abrams

<sup>48</sup> Mark Guth, Cindi Reyes, and Tim Kaufman

<sup>49</sup> Barbara Zeller

hardware and software maintenance fees, they take into account any fees that may have been previously included in licensing agreements which will now be paid for separately and adjust any fees for hardware/software that will not be utilized in the budget year. The project list for the budget year is also reviewed to account for any new hardware/software maintenance fees that will be incurred due to project work. For training and consulting, they take into account any expenses that will not be included in project costs.

- The hardware and software maintenance fees, training, and consulting expenditures are entered into the template by the IS Budget Analyst.
- A consolidated annual budget is sent to the Vice President of Information Services and the IS managers for review.
- The IS Budget Analyst then completes the monthly breakdowns for all areas except asset management and the CWIP credit. The asset management breakdown is completed by the Asset Management Analyst<sup>50</sup> based on when assets are expected to be taken out of and put into service, and the CWIP credit breakdown is provided by the IT Project Office Manager<sup>51</sup> based on when projects are expected to occur.
- The IS Budget Analyst then uploads the information into Essbase.
- Reports detailing the budget for 2005 are then generated from Essbase and sent to the IS managers for review and final approval.
- Any adjustments necessary are made to the templates and the changes reloaded into Essbase.
- The IS Budget Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

## **Selected Items**

### ***Software Expensed***

- The IS Budget Analyst calculates the software expense by taking 10% of the project cost coded to the internally developed capital budget activity<sup>52</sup>. The monthly breakdown is done based on the monthly capital budget.
- The IS Project Office Manager reviews and approves the monthly breakdown of the software expense for all projects except for the n'able project. The n'able project is broken down and loaded by the Customer Care Budget Analyst.
- The IS Budget Analyst loads the information into Essbase.
- The total amount loaded for expensed software is verified against the amount approved by ERC.

## **Intercompany Billing**

- The payroll associated with intercompany billing is determined by the IS managers based on a review of the special projects, programming needs, or unique reporting and support required for each of the subsidiaries.

---

<sup>50</sup> Maria Nelson

<sup>51</sup> Cindi Reyes

<sup>52</sup> Time studies completed by the IS programmers support the 10% allocated to expense. This covers general meetings, training, and other time that is not capitalizable.

- The billed to affiliates amount is loaded with the rest of the expenditures for that activity.

## **Capital**

### ***Information Technologies – Cap Types 520 thru 526, 550, and 560***

- The Manager of IT Networks<sup>53</sup> provides the monthly breakdown for the IT annuals to the IS Budget Analyst based on when the purchases for replacement PCs, servers, monitors, etc. are anticipated.
- For the remainder of the information technologies budget, the IT Project Office Manager reviews all the projects from prior years which have not been completed and any new projects that have been requested by the business units. The IT Project Office Manager then ranks these projects based on criteria established by the IT Steering Committee. A cutoff point is determined based on available resources. The project listing is submitted to the IT Steering Committee for approval.
- The IS Budget Analyst works with the IS Project Office Manager to determine the monthly breakdowns based on when the work is expected to be performed.
- The IS Budget Analyst uploads the information into Essbase.
- The IS Budget Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

### ***General Plant -- Cap Type 500***

- The IS Budget Analyst determines the amount needed based on historical expenditures for small tools, furniture, and office equipment. Current year special requests and projects are also taken into consideration.
- After approval by the Vice President of IS, the IS Budget Analyst provides this information to the cap type owner for corporate consolidation.
- After the IS Budget Analyst is notified by the cap type owner that the budget has been approved by CMT, the IS Budget Analyst loads the budget for general plant for the IS area into Essbase.
- The IS Budget Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

---

<sup>53</sup> Mark Guth

## 2005 Budget Process for Administration & Treasurer, Procurement, and Accounting

### Operating Expense

The Administration Budget Analyst<sup>54</sup> prepares an Excel file to aid in the development of the 2005 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2004. The budget file also contains a fixed payroll template and a blank template to detail out the 2005 budget.

### *Payroll Expenditures*

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active Administration employees to the Administration Budget Analyst.

### *Fixed Payroll Template*

- The Administration Budget Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

The budget file is sent to the following budget preparers for completion:

Manager Real Estate<sup>55</sup>  
Investor Relations Administrator<sup>56</sup>  
Manager Financial Analysis and Projects<sup>57</sup>  
Manager Treasury & Investments<sup>58</sup>  
Manager Forecasting Services<sup>59</sup>  
Manager Rate Research<sup>60</sup>  
Manager Procurement Operations<sup>61</sup>  
General Manager Procurement<sup>62</sup>  
Material Handling Coordinator<sup>63</sup>  
General Manager Federal & State Taxes<sup>64</sup>

---

<sup>54</sup> Patrick Davis

<sup>55</sup> Joe Johnson

<sup>56</sup> Andy McIntosh

<sup>57</sup> Bob Mudra

<sup>58</sup> Rich Rayappan

<sup>59</sup> Karen Olson

<sup>60</sup> Al Harms

<sup>61</sup> John Madziarczyk

<sup>62</sup> Pat Loftus

<sup>63</sup> Jeff Leifheit

<sup>64</sup> Jeff Gabriel

Assistant Controller<sup>65</sup>  
Manager Financial Accounting<sup>66</sup>  
Manager Supply Accounting<sup>67</sup>  
Manager General Accounting<sup>68</sup>

- The budget preparers utilize the fixed payroll template to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

### ***Non-payroll Expenditures***

- Once the budget preparers have completed the payroll expenditures, they enter non-payroll expenditures into the 2005 budget templates. The expenditures are broken down monthly by activity by account category. They utilize the corporate assumptions for non-payroll inflationary increases as provided by the Finance area in the development of their budgets.
- After these templates are completed by the budget preparers, the budgets are sent to the Administration Budget Analyst for consolidation. The Administration Budget Analyst reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.
- The consolidated budget for Administration and Treasury is sent to the Vice President of Administration and Treasurer<sup>69</sup> for review and refinement. The consolidated budget for Accounting and Procurement is sent to the Vice President and Controller<sup>70</sup> for review and refinement.
- After vice presidential review, any necessary revisions are made to the consolidated budgets.
- The final 2005 budget is loaded into Essbase after approval by ERC.
- The Administration Budget Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

## **Selected Items**

### ***Cost of Services Rendered***

- The monthly breakdown for the cost of services rendered is provided to the Administration Budget Analyst by the Nicor Inc. Budget Analyst (see page 51 for additional details on the cost of services rendered calculation).
- The Administration Budget Analyst then loads the information into Essbase.

---

<sup>65</sup> Karen Pepping

<sup>66</sup> Marianne Lorenz

<sup>67</sup> Jim Gorenz

<sup>68</sup> Tom Greenberg – The Accounting Services Manager (Kim Thompson), Miscellaneous Billing Supervisor (Chris Ziemba), Management Accounting Supervisor (Kary Brunner), Corporate Accounting Manager (Steve Cushman), and Accounting Internal Control Supervisor (Elaine Ryba) feed their respective departmental budgets to the Manager of General Accounting for consolidation.

<sup>69</sup> George Behrens

<sup>70</sup> Jeff Metz



- Verification of the amount loaded is performed to ensure that it ties to the amount provided by the Nicor Inc. Budget Analyst and the amount approved by ERC.

#### ***Vacation Accrual***

- The budget for the vacation accrual is determined based on studies conducted by the Financial Accounting department. The Financial Reporting Manager<sup>71</sup> provides the annual amount for the vacation accrual to the Administration Budget Analyst.
- The Administration Budget Analyst straight lines the annual amount to arrive at the monthly breakdowns.
- The Administration Budget Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount provided by the Financial Reporting Manager and approved by ERC.

#### ***Future Health Care***

- The budget for future health care is determined based on studies conducted by the Financial Accounting department. The Financial Reporting Manager provides the annual amount for future health care to the Administration Budget Analyst.
- The Administration Budget Analyst straight lines the annual amount to arrive at the monthly breakdowns.
- The Administration Budget Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount provided by the Financial Reporting Manager and approved by ERC..

#### ***Pension Provision***

- The Financial Reporting Manager determines the annual amount for the pension provision based on actuarial studies and provides the annual amount to the Administration Budget Analyst.
- The Administration Budget Analyst straight lines the annual amount to arrive at the monthly breakdowns.
- The Administration Budget Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount provided by the Financial Reporting Manager and approved by ERC.

#### ***Weather Insurance***

- Not purchased for 2005.

#### ***A&G Capitalized***

- After the expense components for capitalized A&G have been determined, the portion to be capitalized is calculated by the Administration Budget Analyst based on the current capitalization rate and activities included in the pool. (The current capitalization rate is based on the capitalization study conducted in 2002 and implemented in January 2003.)
- After managerial review, the Administration Budget Analyst then loads the information into Essbase.

---

<sup>71</sup> Will Saylor

- Verification of the amount loaded is performed to ensure that it ties to the amount approved by ERC.

### **Intercompany Billing**

- The budget preparers determine the intercompany billings for their areas based on history and projected workload. Most intercompany billing is for payroll associated with work performed for the affiliates. Additional non-payroll charges include:
  - Accounts Payable Processing – Per invoice charge based on the average number of invoices processed for the affiliates (provided by Accounts Payable)
  - Bank fees for the retirement accounts (provided by Money Management)
- The budget preparers enter these intercompany amounts into their respective templates along with their other departmental expenses and send it to the Administration Budget Analyst to be uploaded.

### **Capital**

#### ***Stores Handling – Cap Type 900***

- After the expenses for the procurement area have been determined, the portion to be capitalized is calculated by the Administration Budget Analyst based on the current capitalization rate and activities included in the stores handling pool. (The current capitalization rate is based on the capitalization study conducted in 2002 and implemented in January 2003.)
- The Administration Budget Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount approved by CMT.

#### ***Capitalized Fleet Depreciation – Cap Type 578***

- The Corporate Accounting Manager provides the annual budget amount for capitalized fleet depreciation to the Administration Budget Analyst.
- The Administration Budget Analyst straight lines the annual amount to arrive at the monthly breakdowns.
- The Administration Budget Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount provided by the Corporate Accounting Manager and approved by CMT.

#### ***Allowance for Funds Used during Construction (AFUDC) – Cap Type 930***

- The Corporate Accounting Manager provides the annual amount for AFUDC to the Administration Budget Analyst.
- The Administration Budget Analyst straight lines the annual amount to arrive at the monthly breakdowns.
- The Administration Budget Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount provided by the Corporate Accounting Manager and approved by CMT.

***A&G Capitalized – Cap Type 940***

- After the expense components for capitalized A&G have been determined, the portion to be capitalized is calculated by the Administration Budget Analyst based on the current capitalization rate and activities included in the pool. (The current capitalization rate is based on the capitalization study conducted in 2002 and implemented in January 2003.)
- The Administration Budget Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount approved by CMT.

***Payroll Taxes – Cap Type 950***

- After the departmental budgets including payroll have been loaded by all the Budget Analysts, the payroll portion to be capitalized is calculated by the Administration Budget Analyst based on the current capitalization rate and activities included in the pool. (The current capitalization rate is based on the capitalization study conducted in 2002 and implemented in January 2003.)
- The Administration Budget Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount approved by CMT.

***General Plant -- Cap Type 500***

- The Administration Budget Analyst determines the amount needed based on historical expenditures for small tools, furniture, and office equipment. Current year special requests and projects are also taken into consideration.
- After approval by the Vice President of Administration and Treasurer and the Vice President and Controller, the Administration Budget Analyst provides this information to the cap type owner for corporate consolidation.
- After the Administration Budget Analyst is notified by the cap type owner that the budget has been approved by CMT, the Administration Budget Analyst loads the budget for general plant for the Administration area into Essbase.
- The Administration Budget Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

## **2005 Budget Process for Executive Office, Risk Management, Legal, and Government Affairs**

### **Operating Expense**

The Legal Budget Analyst<sup>72</sup> prepares an Excel file to aid in the development of the 2005 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2004. The budget file also contains a fixed payroll template and a template to detail out the 2005 budget.

#### ***Payroll Expenditures***

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active legal, risk, government affairs, and executive office employees to the Legal Budget Analyst.

##### ***Fixed Payroll Template***

- The Legal Budget Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

Based on discussions with the managers, the Legal Budget Analyst then completes the budget file.

- The fixed payroll template is utilized to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

#### ***Non-payroll Expenditures***

- Once the payroll expenditures have been completed, the non-payroll expenditures, except outside services, are entered into the 2005 budget templates by the Legal Budget Analyst based on historical usage. The expenditures are broken down by activity by account category. The corporate assumptions for non-payroll inflationary increases as provided by the Finance area are utilized in the development of the budgets.
- The Legal Budget Analyst meets with the following budget preparers individually to review the 2005 budget for their area and to determine the outside service charges for

---

<sup>72</sup> Kary Brunner

the budget year as well as to document any assumptions utilized for budgeting purposes.

Associate General Counsel<sup>73</sup>  
Director of Risk Management<sup>74</sup>  
General Manager of Governmental Relations<sup>75</sup>  
Manager of Claims & Litigation<sup>76</sup>  
Coordinator Internal Controls Support Team<sup>77</sup>  
General Manager – Audit/Risk Management<sup>78</sup>  
Chairman of the Board<sup>79</sup>

- The budget preparers and Legal Budget Analyst then meet with their respective officers to review, revise, and challenge the budget as necessary.
- The Legal Budget Analyst incorporates any revisions into the templates.
- The Legal Budget Analyst then consolidates all the revised templates and sends each officer a revised consolidated annual budget.
- The Legal Budget Analyst completes the monthly breakdowns based on historical data.
- The monthly breakdowns are reviewed and approved by the managers and officers.
- The final 2005 budget is loaded into Essbase after approval by ERC.
- The Legal Budget Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

## **Selected Items**

### ***PBR & Special Investigations***

- The Associate General Counsel works with outside legal firms to determine the amount needed for the budget year.
- The Associate General Counsel provides this information to the Legal Budget Analyst.
- The Legal Budget Analyst loads the information into Essbase.
- The total amount loaded for PBR & Special Investigations is verified against the amount approved by ERC.

### ***Property & Casualty Insurance***

- The Director of Risk Management works with outside insurance brokers to determine the cost of corporate insurance for the budget year.
- The Director of Risk Management provides this information to the Legal Budget Analyst.
- The Legal Budget Analyst loads the information into Essbase.

---

<sup>73</sup> Dan McNamara

<sup>74</sup> Mike Levin

<sup>75</sup> Scott Lewis

<sup>76</sup> Pat Fennell

<sup>77</sup> Dan Lambert

<sup>78</sup> Gerry O'Connor

<sup>79</sup> Tom Fisher

- The total amount loaded for property and casualty insurance is verified against the amount approved by ERC.

### **Intercompany Billing**

- The intercompany billing charges for each area are determined by the various managers and officers based on historical data and known items such as planned audits for the affiliates. Primarily, officer payroll billed to the affiliates is determined using a fixed percentage. These percentages are based on prior time studies conducted by the officers adjusted for any special projects for the affiliates that may require time above and beyond normal. Those officers that do not bill a fixed percentage estimate their work to be performed and communicate this to the Legal Budget Analyst.
- The Legal Budget Analyst enters these intercompany amounts into the budget templates along with the other departmental expenses to be uploaded.

### **Capital**

#### ***General Plant -- Cap Type 500***

- The Legal Budget Analyst determines the amount needed based on historical expenditures for small tools, furniture, and office equipment. Current year special requests and projects are also taken into consideration.
- After approval by the managers, the Legal Budget Analyst provides this information to the cap type owner for corporate consolidation.
- After the Legal Budget Analyst is notified by the cap type owner that the budget has been approved by CMT, the Legal Budget Analyst loads the budget for general plant into Essbase.
- The Legal Budget Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

## 2005 Budget Process for Nicor Gas Business Development

### Operating Expense

The Nicor Inc. Budget Analyst prepares an Excel file to aid in the development of the 2005 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2004. The budget file also contains a fixed payroll template and a blank template to detail out the 2005 budget.

### *Payroll Expenditures*

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active Business Development employees to the Nicor Inc. Budget Analyst.

#### *Fixed Payroll Template*

- The Nicor Inc. Budget Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

The budget file is sent to the following budget preparers for completion:

Director of Business Development<sup>80</sup>  
Manager Energy Ventures<sup>81</sup>  
Senior Enerchange Accountant<sup>82</sup>  
Senior Market Research Analyst<sup>83</sup>  
Senior Financial Analyst<sup>84</sup>

- The budget preparers utilize the fixed payroll template to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

### *Non-payroll Expenditures*

- Once the budget preparers have completed the payroll expenditures, they enter non-payroll expenditures into the 2005 budget templates. The expenditures are broken down monthly by activity by account category. They utilize the corporate assumptions for non-payroll inflationary increases as provided by the Finance area in the development of their budgets.

---

<sup>80</sup> Cedric Hurst

<sup>81</sup> Chris Finch

<sup>82</sup> Judy Oswald

<sup>83</sup> Deb Odefey

<sup>84</sup> David Morden

- After these templates are completed by the budget preparers, they are sent to the Nicor Inc. Budget Analyst for consolidation. The Nicor Inc. Budget Analyst reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.
- The consolidated budget is sent to the Senior Vice President of Diversified Ventures and Corporate Planning<sup>85</sup> for review, clarification, and refinement.
- After vice presidential review, any necessary revisions are made to the consolidated budgets. The revised budget is sent back to the Senior Vice President of Diversified Ventures and Corporate Planning for final review and approval
- The final 2005 budget is loaded into Essbase after approval by ERC.
- The Nicor Inc. Budget Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

### **Selected Items**

None

### **Intercompany Billing**

- The Senior Enerchange Accountant notifies the Nicor Inc. Budget Analyst of the intercompany percentage to be billed out for the Chicago Hub and Asset Planning and Development. The Nicor Inc. Budget Analyst then calculates the dollars associated with intercompany billing.
- The Manager of Energy Ventures notifies the Nicor Inc. Budget Analyst of the intercompany amounts to be billed out for diversification projects.
- These intercompany amounts are entered into their respective templates by the Nicor Inc. Budget Analyst along with the other departmental expenses to be uploaded into Essbase.

### **Capital**

None

---

<sup>85</sup> Dan Dodge



## 2005 Budget Process for Nicor Corporate

### Consolidated Pool

The consolidated pool is used to accumulate expenses incurred on behalf of all subsidiaries. It is then allocated to all the subsidiaries based on Nicor's 2-factor calculation. For 2005, Nicor Gas received 77.54% of the consolidated pool charges.

### *Departmental Expenses*

- The budget for the departmental expenses is based on the payroll and non-payroll billed to affiliates information for Nicor Gas which is loaded by all the Budget Analysts into Essbase.
- The billed to affiliates amounts are distributed to the Nicor Corporate activities and accounts based on information provided to the Nicor Inc. Budget Analyst after managerial approval by all the Budget Analysts who have billed to affiliates information.

### *Benefit Expense*

- The budget for the benefit expenses is provided to the Nicor Inc. Budget Analyst by the Senior Compensation and Benefit Analyst<sup>86</sup> after managerial approval.
- The Nicor Inc. Budget Analyst enters the benefit expense into the template to be uploaded into Essbase.

### *Branding*

Branding is split – 50% to the consolidated pool and 50% to unallocated expenses that remain at the Nicor Inc. level.

- The total budget for branding is provided to the Nicor Inc. Budget Analyst by the Director of Corporate Communications<sup>87</sup>.
- The Nicor Inc. Budget Analyst enters the benefit expense into the template to be uploaded into Essbase.

### *Payroll Additive*

- The payroll additive is calculated by the Nicor Inc. Budget Analyst. It is based on the management level of those employees that are charging time to the consolidated pool. Each management level has an associated percentage that is charged to the same activity that their payroll gets charged to.
- After managerial review of the calculation, the Nicor Inc. Budget Analyst loads the payroll additive for all Nicor Inc. activities into Essbase.

### Unallocated Expenses

Unallocated expenses are deemed to be Nicor Inc. expenses and are not to be shared by any affiliates.

- Diversification Cost, Unallocated Branding, the Allocated Pool Credit, and some Miscellaneous Unallocated expenses were not loaded into Essbase for 2005 because they do not impact Nicor Gas.

---

<sup>86</sup> Coleen Walter

<sup>87</sup> Don Ingle

## 2005 Cap Type Owners

Owner	Cap Type	Description
Koif	050 & 051	New Business Services
Koif	077 thru 081	New Business Main
C. Hynes	060 & 061	Replacement Services
C. Hynes	082 & 083	Replacement Main
C. Hynes	062 & 063	Cross Ties
Grewel	084 & 085	System Improvement - Main
Bell	086 & 087	Public Improvement - Main
Stercay	088	Miscellaneous Revisions
Overgaard	095	Meters - Rate 74
Overgaard	094	Meters
C. Hynes	089	Reimbursables
Koif	093	New Industrial Meters
Koif	140 & 145	Contributions Collected
Koif	150	Other New Business
J. Hynes	160	Other Capital
Stercay	092 & 170	Replacement Pressure Sets
Tomczak	175	Replacement Regulators
J. Hynes	180	Estimated Services Removal Cost
Tomczak	200	Corrosion Activity
Deters	466 thru 471	Supply Operations Storage
Deters	472 thru 479	Supply Operations Transmission - West & South
Whybark	472 thru 479	System Operations Transmission - Central
Youngs	500	Miscellaneous General Plant
Reyes	520 thru 526, 550, 560	Information Technologies
Youngs	540	Land and Buildings
Grote	570	Fleet
Grote	575	Fleet Auction Proceeds
Overgaard	580	New Technologies
Grote	577	Capitalized Fleet
Greenberg	578	Capitalized Fleet Depreciation
Loftus	900	Stores Handling
C. Hynes	910	Engineering Overheads - Regions
Nichols	920	Engineering Overheads - G.O.
Greenberg	930	AFUDC
Greenberg	940	A & G
Bacidore	941	Pension
Bacidore	942	Employee Insurance
Bacidore	943	Future Health Care
Bacidore	945	Other Benefits
Greenberg	950	Payroll Taxes
J. Hynes	960	Indirect Departmental Expenses (IDE)
Youngs	980	Capitalized Facilities (Bldgs & Grds)
Bell	100 thru 102, 465, 480	Revenue Generating
Youngs	110	Cost Savings - Sycamore
Katt	030	Outages

## **Role of Management Accounting**

The role of Management Accounting in the 2005 budget process is to oversee the budget process and to provide high-level, consolidated reports to senior management.

- Management Accounting establishes the timeline for the budget process based on guidelines given by senior management.
- Management Accounting disseminates the general guidelines concerning inflationary rates and merit increases to all Budget Analysts. Any additional information relative to the budget process is communicated through Management Accounting.
- Management Accounting distributes blank templates and presentations to the Budget Analysts.
- Management Accounting ensures that Essbase has been recalculated as often as is necessary to facilitate the budget process. Troubleshooting is performed when necessary.
- Management Accounting distributes budget presentations to ERC and CMT members.
- Management Accounting communicates information from ERC and CMT to the Budget Analysts/preparers and coordinates any revisions or additional requests for information.
- Management Accounting confirms that the information loaded into Essbase ties to the presentations made to the ERC and CMT committees. Selected items are also tied out to ensure proper Essbase loading.
- Reasonableness checks are performed by Management Accounting to ensure proper Essbase loading.
- Consolidated reports showing the overall company budget by officer are generated and distributed by Management Accounting once all budgets have been loaded by the Budget Analysts.